

Message Text

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UNCLAS STOCKHOLM 3204

E.O. 11652 N/A

TAGS: EFIN, SW

SUBJECT: SWEDISH ELECTIONS -- ECONOMIC ISSUES

REF: STOCKHOLM'S 3018

1. IN TELEVISED DEBATE ON SEPTEMBER 7 BETWEEN PARTY REPRESENTATIVES, NON-SOCIALISTS (STAFFAN BURENSTAM LINDER, MODERATE COALITION; CECILIA NETTELBRANDT, LIBERAL; AND NILS ASLING, CENTER) AGREED THAT BEST WAY OF REDUCING UNEMPLOYMENT WAS BY GENERAL STIMULATIVE MEASURES, RATHER THAN SELECTIVE MEASURES INTRODUCED BY GOVERNMENT OVER LAST TWO YEARS. ASLING STRESSED HIS PARTY'S PROGRAM FOR CREATING 100,000 NEW JOBS (REPORTED IN REFTEL) AND NOTED THAT GOVERNMENT HAD NO SUCH PROGRAM. BURENSTAM LINDER AND NETTELBRANDT CONCURRED. COMMUNIST PARTY REPRESENTATIVE LARS WERNER RODE HIS PARTY'S MAIN ELECTION HOBBYHORSE OF ABOLISHING VAT ON FOOD AND ATTACKED CAPITALISM IN GENERAL. FINANCE MINISTER GUNNAR STRANG, REPRESENTING GOVERNMENT, COUNTERED BY PAINTING ROSY PICTURE OF PRESENT UPSWING IN ECONOMY AND BY TRYING TO MINIMIZE IMPORTANCE OF UNEMPLOYMENT SITUATION. "THERE ARE NOW 60,000 PEOPLE OUT OF WORK BUT ALSO 40,000 VACANCIES," STRANG SAID,

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CONTINUING: "THOSE FIRMS SEEKING TO FILL THESE 40,000 VACANCIES

WILL NOT EMPLOY MORE PEOPLE IF THEIR PROFITS, AS PROPOSED BY THE OPPOSITION, ARE INCREASED."

2. PRIME MINISTER PALME, WHO WAS INTERVIEWED ON SEPTEMBER 9 IN TELEVISION SERIES ON PARTY LEADERS, ALSO STRESSED POSITIVE ASPECTS OF ECONOMIC SITUATION AND MADE EVERY EFFORT TO MINIMIZE UNEMPLOYMENT. HE EMPHASIZED THAT GOVERNMENT HAD MANAGED TO MAINTAIN ACTUAL NUMBER OF PEOPLE EMPLOYED THROUGHOUT RECESSION OF 1971 AND 1972 AND THAT COUNTRY HAD HIGHEST EMPLOYMENT LEVEL OF ANY INDUSTRIAL COUNTRY AT PRESENT TIME. HE GAVE ASSURANCES THAT SOCIAL DEMOCRATS WOULD DO EVERYTHING TO ASSIST HANDICAPPED AND OTHERS WHO HAVE DIFFICULTY IN FINDING EMPLOYMENT.

3. TAXES WERE ALSO MAIN TOPIC DISCUSSED IN TELEVISED PANEL DISCUSSION ON SEPTEMBER 4 BETWEEN PARTY REPRESENTATIVES, ECONOMISTS, AND UNION PEOPLE. CITED DURING DISCUSSION WAS STUDY BY ECONOMIST LARS MATTHIESSEN WHICH CLAIMED THAT FAMILIES WITH CHILDREN IN INCOME RANGE OF SKR 30,000-40,000 ANNUALLY WERE HIT BY TAX PROGRESSION, AND CONSEQUENT REDUCTION IN RENTAL SUBSIDIES, CORRESPONDING TO A TOTAL MARGINAL EFFECT OF 81-86 PERCENT. COMMERCE MINISTER KJELL-OLOF FELDT REFUTED THIS ASSERTION AS "RIDICULOUS", BUT CONSIDERED THE ISSUE SO SENSITIVE AS TO INSERT AN ARTICLE IN DAILY DAGENS NYHETER OF SEPTEMBER 10 ATTACKING MATTHIESSEN'S POSITION.

4. PERHAPS MOST EMBARRASSING FOR SOCIAL DEMOCRATS ON INCOME TAX SUBJECT WAS RECENT PUBLICATION IN OFFICIAL MAGAZINE OF TRADE UNION CONFEDERATION SHOWING THAT, WITH PRESENT MARGINAL TAX RATES, AVERAGE INCOME OF UNION MEMBER (SKR 35,000 ANNUALLY) WOULD HAVE TO BE INCREASED BY 12 PERCENT FOR MEMBER TO GET ANY INCREASE IN DISPOSABLE INCOME. OPPOSITION HAS BEEN QUICK TO CITE STUDY.

5. ON MARGINAL TAX RATES, FINANCE MINISTER STRANG AND OTHER REPRESENTATIVES OF GOVERNMENT HAVE REFUSED TO STATE A POSITION, SAYING ONLY THAT TAX COMMITTEE ESTABLISHED IN 1970 IS REVIEWING ENTIRE TAX QUESTION, INCLUDING MARGINAL RATES. STRANG, MOREOVER, HAS REJECTED OPPOSITION EFFORTS TO GET COMMITTEE TO CONSIDER TRYING TAX RATES TO PRICE INDICES SINCE THAT WOULD "FAVOR HIGH INCOME GROUPS."

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6. COMMENT: UNEMPLOYMENT AND HIGH TAXES CONTINUE TO BE THE MAJOR ELECTION ISSUES. WHILE SOCIAL DEMOCRATS HAVE MADE CONCESSIONS ON TAXES, ESPECIALLY TO IMPORTANT MIDDLE INCOME GROUP, AND HAVE THUS BLUNTED ISSUE SOMEWHAT, OPPOSITION PARTIES HAVE SCORED POINTS ON UNEMPLOYMENT QUESTION.
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